

**HUMBOLDT
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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HUMBOLDT COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2005 Election)

Mike Sexe	President	2007
Sharon Dailey	Vice President	2006
Daryl Short		2005
Elaine Curran		2005
Wayne Miner		2006

(After September, 2005 Election)

Wayne Miner	President	2006
Mike Sexe	Vice President	2007
Sharon Dailey		2006
Jennifer Berte		2008
Tom Carson		2008

SCHOOL OFFICIALS

Dr. Joyce Judas	Superintendent
Lisa Thul	District Secretary
Cheryl Dodd (Resigned November, 2005)	District Treasurer
Rob Dickey (Appointed November, 2005)	District Treasurer

Independent Auditor's Report

To the Board of Education of the
Humboldt Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Humboldt Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Humboldt Community School District as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2006 on our consideration of Humboldt Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 30 through 31 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Humboldt Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other Supplemental information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

November 30, 2006

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

This section of the Humboldt Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2006. Please read it in conjunction with the District's financial statements.

2006 FINANCIAL HIGHLIGHTS

- The District's General Fund balance increased by over \$386,000. This is the fourth consecutive year that the balance has increased. The District had revenues of \$9,649,306 and \$9,262,941 was spent during the year.
- The District experienced a decrease in both Resident and BEDS enrollment. The September 2005 enrollment was 1279.0, while the September 2004 enrollment was 1303.2. This is indicative of the actual number of students attending District schools including open enrollment in students. The District has a plus 74.2 of open enrolled students versus open enrolled out.
- Revenues decreased by 3% from the prior year. This was due primarily to a decrease in property taxes levied by the District. Expenditures decreased by 2% due to careful monitoring of discretionary spending.
- Administration expenses decreased by over \$62,000.
- The District has actively pursued grants from various sources in order to enhance the District's course offerings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements, and required supplemental information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Humboldt Community School District

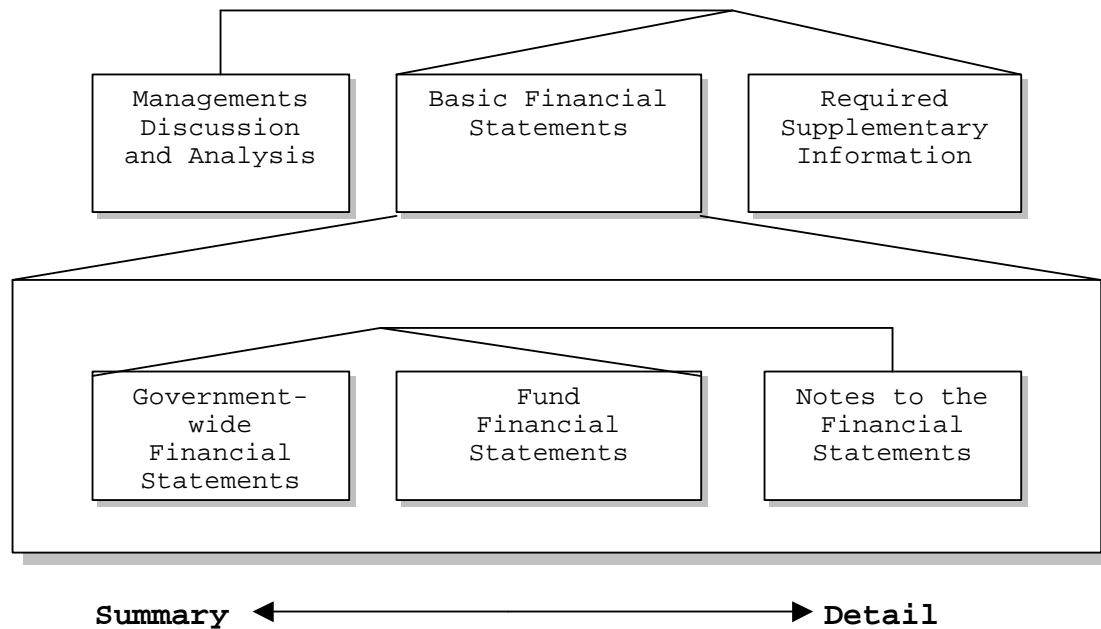


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

COMBINED BALANCE SHEET

The combined balance sheet shows the total assets, liabilities, and fund equity for all of the funds for the entire district for the 2004 fiscal year. The combined balance sheet shows three major fund types as well as the account groups: general fixed assets and the general long-term debt.

The government funds include: the general fund, special revenue, debt service, and capital projects. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, administration, and capital projects. Property taxes and state aid finance most of these activities.

The District's only enterprise fund is the school nutrition fund.

The fiduciary funds include: trusts and agencies. The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from other types of funds because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	8,215	7,727	48	21	8,263	7,748	6.65%
Capital assets	<u>1,837</u>	<u>1,823</u>	<u>33</u>	<u>40</u>	<u>1,870</u>	<u>1,863</u>	<u>0.38%</u>
Total assets	<u>10,052</u>	<u>9,550</u>	<u>81</u>	<u>61</u>	<u>10,133</u>	<u>9,611</u>	<u>5.43%</u>
Current liabilities	3,848	4,315	-	-	3,848	4,315	-10.82%
Non-current liabilities	<u>861</u>	<u>1,116</u>	<u>-</u>	<u>-</u>	<u>861</u>	<u>1,116</u>	<u>-22.85%</u>
Total liabilities	<u>4,709</u>	<u>5,431</u>	<u>-</u>	<u>-</u>	<u>4,709</u>	<u>5,431</u>	<u>-13.29%</u>
Net Assets							
Invested in capital assets, net of related debt	976	707	33	40	1,009	747	35.07%
Restricted	1,578	1,021	-	-	1,578	1,021	54.55%
Unrestricted	<u>2,789</u>	<u>2,391</u>	<u>48</u>	<u>21</u>	<u>2,837</u>	<u>2,412</u>	<u>17.62%</u>
Total net assets	<u>5,343</u>	<u>4,119</u>	<u>81</u>	<u>61</u>	<u>5,424</u>	<u>4,180</u>	<u>29.76%</u>

Total net assets increased 30% as a result of increases in all funds. The General Fund increased over \$380,000 as a result of spending control measures. The largest increase was in the Capital Projects Fund. It increased over \$475,000 as the District began to collect sales tax from Humboldt County in the fiscal year.

Changes in net assets - Figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	604	867	262	212	866	1,079	-19.74%
Operating grants, contributions and restricted interest	1,415	1,385	164	174	1,579	1,559	1.28%
General revenues:							
Property tax	4,128	4,409	-	-	4,128	4,409	-6.37%
Local option sales tax	581	91	-	-	581	91	538.46%
Unrestricted state grants	4,305	4,340	-	-	4,305	4,340	-0.81%
Unrestricted investment earnings	94	29	-	-	94	29	224.14%
Other	157	22	-	-	157	22	613.64%
Total revenues	<u>11,284</u>	<u>11,143</u>	<u>426</u>	<u>386</u>	<u>11,710</u>	<u>11,529</u>	<u>1.57%</u>
Program expenses:							
Governmental activities:							
Instruction	6,488	6,687	-	-	6,488	6,687	-2.98%
Support Services	2,856	3,052	-	-	2,856	3,052	-6.42%
Non-instructional programs	-	3	406	411	406	414	-1.93%
Other expenses	716	587	-	-	716	587	21.98%
Total expenses	<u>10,060</u>	<u>10,329</u>	<u>406</u>	<u>411</u>	<u>10,466</u>	<u>10,740</u>	<u>-2.55%</u>
Change in net assets	<u>1,224</u>	<u>814</u>	<u>20</u>	<u>(25)</u>	<u>1,244</u>	<u>789</u>	<u>57.67%</u>

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$11,283,804 and expenses were \$10,059,534. The District continues to monitor discretionary spending and looking for additional sources of revenue in order to maintain programs.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
 (expressed in thousands)

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
	\$	\$		\$	\$	
Instruction	6,488	6,687	-2.98%	4,934	4,857	1.59%
Support Services	2,856	3,052	-6.42%	2,779	3,011	-7.71%
Non-instructional programs	-	3	-100.00%	-	3	-100.00%
Other expenses	<u>716</u>	<u>587</u>	<u>21.98%</u>	<u>327</u>	<u>207</u>	<u>57.97%</u>
Totals	<u>10,060</u>	<u>10,329</u>	<u>-2.60%</u>	<u>8,040</u>	<u>8,078</u>	<u>-0.47%</u>

- The cost financed by users of the District's programs was \$604,225.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$743,609.
- The net cost of governmental activities was financed with \$4,127,837 in property tax, \$4,304,585 in state foundation aid, and \$93,716 in interest income.

Proprietary-Type Activities

Revenues for the District's School Nutrition Fund were \$426,167 and expenses were \$405,843. The revenues include: charges for services, contributions, and federal and state reimbursements.

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Humboldt Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$5,343,656, which is more than last year's ending fund balance of \$4,119,386.

- The District has been trying to control its General Fund balance by holding the line on payroll and discretionary spending as well as obtaining outside grants.
- A positive open enrollment balance into the District will help maintain instructional programs with increased funding.
- The District's governmental funds have all increased in the past fiscal year. The increases of the past few years give the Board and Administration some opportunities that were not available only a few short years ago.
- The District collected over \$580,000 in local option sales tax this fiscal year. This is an increase of almost \$490,000 from the prior year. This was due to Humboldt County passing the one cent sales tax for schools.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

It is the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. Expenditures did not exceed the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2006, the District has invested more than \$7,600,000 in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation expense for the year exceeded \$166,000.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	49	49	-	-	49	49	0.00%
Land improvements	84	92	-	-	84	92	-8.70%
Buildings	1,435	1,509	-	-	1,435	1,509	-4.90%
Furniture and equipment	269	173	33	40	302	213	41.78%
Totals	<u>1,837</u>	<u>1,823</u>	<u>33</u>	<u>40</u>	<u>1,870</u>	<u>1,863</u>	<u>0.38%</u>

Long-term Debt

The District makes principal and interest payments yearly on general obligation bonds and capital loan notes using property tax dollars obtained through voted levies.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
	\$	\$	
General obligation bonds	625	775	-19.35%
EPA loan	6	11	-45.45%
Capital loan notes	230	330	-30.30%
Total	<u>861</u>	<u>1,116</u>	<u>-22.85%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Enrollment will be the primary factor in determining the ability of the district to maintain and expand educational offerings.
- Maintaining a sound General Fund balance from year to year is important in order that the District can be able to take advantage of opportunities, absorb funding cuts, and keep property taxes down.
- Adequate allowable growth must be provided by the Legislature in order to give adequate salary increases plus be able to keep up with changing classroom requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Judas, Superintendent, Humboldt Community Schools, 1408 9th Ave N, Humboldt, Iowa 50548.

Basic Financial Statements

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	4,140,041	39,672	4,179,713
Receivables:			
Property tax:			
Current year	52,048	-	52,048
Succeeding year	3,832,787	-	3,832,787
Due from other governments	190,254	-	190,254
Other receivables	-	499	499
Inventories	-	8,414	8,414
Capital assets, net of accumulated depreciation (note 6)	1,837,160	32,729	1,869,889
Total assets	10,052,290	81,314	10,133,604
Liabilities			
Accounts payable	12,415	203	12,618
Accrued interest payable	2,342	-	2,342
Deferred revenue:			
Succeeding year property tax	3,832,787	-	3,832,787
Long term liabilities:			
Portion due within one year:			
Capital loan notes	110,000	-	110,000
Energy loan payable	5,000	-	5,000
General obligation bonds payable	150,000	-	150,000
Portion due after one year:			
Capital loan notes	120,000	-	120,000
Energy loan payable	1,090	-	1,090
General obligation bonds payable	475,000	-	475,000
Total liabilities	4,708,634	203	4,708,837
Net assets			
Invested in capital assets, net of related debt	976,070	32,729	1,008,799
Restricted for:			
Debt service	27,713	-	27,713
Capital Projects	746,332	-	746,332
Management Fund	609,556	-	609,556
Physical Plant and Equipment Levy Fund	194,719	-	194,719
Unrestricted	2,789,266	48,382	2,837,648
Total net assets	5,343,656	81,111	5,424,767

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:	<u>6,487,572</u>	<u>604,225</u>	<u>949,556</u>	<u>(4,933,791)</u>	<u>-</u>	<u>(4,933,791)</u>
Support services:						
Student services	272,808	-	-	(272,808)	-	(272,808)
Instructional staff services	452,163	-	-	(452,163)	-	(452,163)
Administration services	993,063	-	-	(993,063)	-	(993,063)
Operation and maintenance of plant services	703,979	-	43,987	(659,992)	-	(659,992)
Transportation services	<u>433,517</u>	<u>-</u>	<u>32,344</u>	<u>(401,173)</u>	<u>-</u>	<u>(401,173)</u>
	<u>2,855,530</u>	<u>-</u>	<u>76,331</u>	<u>(2,779,199)</u>	<u>-</u>	<u>(2,779,199)</u>
Other expenditures:						
Interest on long-term debt	40,179	-	3,629	(36,550)	-	(36,550)
Long-term debt service costs	400	-	-	(400)	-	(400)
Facilities acquisition and construction	139,309	-	8,567	(130,742)	-	(130,742)
AEA flowthrough	377,143	-	377,143	-	-	-
Depreciation (unallocated)*	<u>159,401</u>	<u>-</u>	<u>-</u>	<u>(159,401)</u>	<u>-</u>	<u>(159,401)</u>
	<u>716,432</u>	<u>-</u>	<u>389,339</u>	<u>(327,093)</u>	<u>-</u>	<u>(327,093)</u>
Total governmental activities	10,059,534	604,225	1,415,226	(8,040,083)	-	(8,040,083)

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues				
		Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses	Charges for Service				
\$	\$	\$	\$	\$	\$
Business type activities:					
Non-instructional programs:					
Nutrition services	405,843	261,615	164,552	-	20,324
					20,324
Total	10,465,377	865,840	1,579,778	(8,040,083)	20,324
					(8,019,759)
General revenues:					
Property tax levied for:					
General purposes			3,386,514	-	3,386,514
Management fund			273,355	-	273,355
Capital outlay			299,471	-	299,471
Debt service			168,497	-	168,497
Local option sales tax			580,565	-	580,565
Unrestricted state grants			4,304,585	-	4,304,585
Unrestricted investment earnings			93,716	-	93,716
Other			157,650	-	157,650
Total general revenue			9,264,353	-	9,264,353
Change in net assets			1,224,270	20,324	1,244,594
Net assets beginning of year			4,119,386	60,787	4,180,173
Net assets end of year			5,343,656	81,111	5,424,767

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,470,322	26,092	732,795	910,832	4,140,041
Receivables:					
Property tax:					
Current year	36,877	3,963	-	11,208	52,048
Succeeding year	3,112,381	166,025	-	554,381	3,832,787
Due from other governments	176,717	-	13,537	-	190,254
Other receivables	-	-	-	-	-
Total assets	<u>5,796,297</u>	<u>196,080</u>	<u>746,332</u>	<u>1,476,421</u>	<u>8,215,130</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	12,415	-	-	-	12,415
Deferred revenue:					
Succeeding year property tax	<u>3,112,381</u>	<u>166,025</u>	<u>-</u>	<u>554,381</u>	<u>3,832,787</u>
Total liabilities	<u>3,124,796</u>	<u>166,025</u>	<u>-</u>	<u>554,381</u>	<u>3,845,202</u>
Fund balances:					
Reserved for debt service	-	30,055	-	-	30,055
Reserved for capital projects	-	-	746,332	-	746,332
Unreserved fund balance	<u>2,671,501</u>	<u>-</u>	<u>-</u>	<u>922,040</u>	<u>3,593,541</u>
Total fund balances	<u>2,671,501</u>	<u>30,055</u>	<u>746,332</u>	<u>922,040</u>	<u>4,369,928</u>
Total liabilities and fund balances	<u>5,796,297</u>	<u>196,080</u>	<u>746,332</u>	<u>1,476,421</u>	<u>8,215,130</u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)	\$ 4,369,928
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,837,160
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(2,342)
Long-term liabilities, capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(861,090)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 5,343,656</u></u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	3,386,514	168,497	580,565	572,826	4,708,402
Tuition	604,225	-	-	-	604,225
Other	233,866	3,485	8,567	282,422	528,340
State sources	5,119,079	144	-	492	5,119,715
Federal sources	305,622	-	-	-	305,622
Total revenues	<u>9,649,306</u>	<u>172,126</u>	<u>589,132</u>	<u>855,740</u>	<u>11,266,304</u>
Expenditures:					
Instruction	<u>6,200,138</u>	<u>-</u>	<u>-</u>	<u>359,731</u>	<u>6,559,869</u>
Support services					
Student services	272,808	-	-	-	272,808
Instructional staff services	439,227	-	-	12,936	452,163
Administration services	910,069	-	-	82,994	993,063
Operation and maintenance of plant services	742,282	-	-	62,945	805,227
Transportation services	<u>321,274</u>	<u>-</u>	<u>101,498</u>	<u>10,745</u>	<u>433,517</u>
	<u>2,685,660</u>	<u>-</u>	<u>101,498</u>	<u>169,620</u>	<u>2,956,778</u>
Other expenditures					
Long-term debt:					
Principal	-	255,000	-	-	255,000
Interest	-	40,841	-	-	40,841
Services	-	400	-	-	400
Facility acquisition and construction	-	-	9,255	130,054	139,309
AEA flowthrough	<u>377,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,143</u>
	<u>377,143</u>	<u>296,241</u>	<u>9,255</u>	<u>130,054</u>	<u>812,693</u>
Total expenditures	<u>9,262,941</u>	<u>296,241</u>	<u>110,753</u>	<u>659,405</u>	<u>10,329,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>386,365</u>	<u>(124,115)</u>	<u>478,379</u>	<u>196,335</u>	<u>936,964</u>
Other financing sources (uses):					
Sale of real property	-	-	-	17,500	17,500
Operating transfers in	-	127,116	-	-	127,116
Operating transfers out	-	-	-	(127,116)	(127,116)
Total other financial sources (uses)	<u>-</u>	<u>127,116</u>	<u>-</u>	<u>(109,616)</u>	<u>17,500</u>
Net change in fund balance	386,365	3,001	478,379	86,719	954,464
Fund balances beginning of year	<u>2,285,136</u>	<u>27,054</u>	<u>267,953</u>	<u>835,321</u>	<u>3,415,464</u>
Fund balances end of year	<u>2,671,501</u>	<u>30,055</u>	<u>746,332</u>	<u>922,040</u>	<u>4,369,928</u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ 954,464

Amounts reported for governmental activities in the
statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 173,545	
Depreciation expense	<u>(159,401)</u>	14,144

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

662

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

255,000

Change in net assets of governmental activities (Exhibit B) \$ 1,224,270

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>261,615</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	146,996
Benefits	47,745
Services	9,478
Supplies	194,207
Depreciation	<u>7,417</u>
Total operating expenses	<u>405,843</u>
Operating (loss)	<u>(144,228)</u>
Non-operating revenues:	
Interest on investments	1,122
State sources	5,222
Federal sources	<u>158,208</u>
Total non-operating revenues	<u>164,552</u>
Change in net assets	20,324
Net assets beginning of year	<u>60,787</u>
Net assets end of year	<u><u>81,111</u></u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u> \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	261,116
Cash payments to employees for services	(194,741)
Cash payments to suppliers for goods or services	(179,477)
Net cash (used in) operating activities	<u>(113,102)</u>
Cash flows from non-capital financing activities:	
State grants received	5,222
Federal grants received	135,417
Net cash provided by non-capital financing activities	<u>140,639</u>
Cash flows from investing activities:	
Interest on investments	<u>1,122</u>
Net increase in cash and cash equivalents	28,659
Cash and cash equivalents beginning of year	<u>11,013</u>
Cash and cash equivalents end of year	<u><u>39,672</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(144,228)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	7,417
Commodities used	22,791
(Increase) in other receivables	(499)
Decrease in inventory	1,214
Increase in accounts payable	203
	<u>(113,102)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>39,672</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$22,791.

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trusts
	<u>\$</u>
Assets	
Cash and pooled investments	<u>1,889,874</u>
Total assets	<u>1,889,874</u>
Net Assets	
Reserved for general education	1,704,417
Reserved for scholarships	<u>185,457</u>
Total net assets	<u><u>1,889,874</u></u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trusts
	<u>\$</u>
Additions:	
Local sources:	
Interest on investments	63,476
Contributions	<u>4,547</u>
Total additions	<u>68,023</u>
Deductions:	
Support services:	
Other	<u>32,095</u>
Total deductions	<u>32,095</u>
Change in net assets	35,928
Net assets beginning of year	<u>1,853,946</u>
Net assets end of year	<u><u>1,889,874</u></u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Humboldt Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Humboldt and Dakota City, Iowa, and agricultural territory in Humboldt, Webster and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Humboldt Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Humboldt Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Humboldt County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and the fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and for government commodities. Inventories of proprietary funds are recorded as recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted.

(2) **Cash and Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>49,250</u>	<u>-</u>	<u>-</u>	<u>49,250</u>
Capital assets being depreciated:				
Land Improvements	849,758	-	-	849,758
Buildings	4,174,921	-	-	4,174,921
Furniture and Equipment	<u>2,401,635</u>	<u>173,545</u>	<u>-</u>	<u>2,575,180</u>
Total capital assets being depreciated	<u>7,426,314</u>	<u>173,545</u>	<u>-</u>	<u>7,599,859</u>
Less accumulated depreciation for:				
Land Improvements	757,499	8,659	-	766,158
Buildings	2,666,036	73,807	-	2,739,843
Furniture and Equipment	<u>2,229,013</u>	<u>76,935</u>	<u>-</u>	<u>2,305,948</u>
Total accumulated depreciation	<u>5,652,548</u>	<u>159,401</u>	<u>-</u>	<u>5,811,949</u>
Total capital assets being depreciated, net	<u>1,773,766</u>	<u>14,144</u>	<u>-</u>	<u>1,787,910</u>
Governmental activities, capital assets, net	<u>1,823,016</u>	<u>14,144</u>	<u>-</u>	<u>1,837,160</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities				
Furniture and Equipment	89,900	-	-	89,900
Less accumulated depreciation	49,754	7,417	-	57,171
Business type activities capital assets, net	<u>40,146</u>	<u>(7,417)</u>	<u>-</u>	<u>32,729</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated 159,401

Business type activities:

Food service operations 7,417

(4) Bonds Payable

The District refinanced its outstanding bonded indebtedness during the fiscal year ending June 30, 2006 at an estimated savings to the taxpayers of \$118,000. Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate %	Principal \$	Interest \$	Total \$
2007	2.10	150,000	16,025	166,025
2008	2.35	150,000	12,875	162,875
2009	2.75	160,000	9,350	169,350
2010	3.00	<u>165,000</u>	<u>4,950</u>	<u>169,950</u>
Total		<u>625,000</u>	<u>43,200</u>	<u>668,200</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	General Obligation Bonds	EPA Loan	Capital Loan Notes	Total
Balance beginning of year	\$775,000	11,090	330,000	1,116,090
Additions	-	-	-	-
Reductions	<u>150,000</u>	<u>5,000</u>	<u>100,000</u>	<u>255,000</u>
Balance end of year	<u>\$625,000</u>	<u>6,090</u>	<u>230,000</u>	<u>861,090</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$326,221, \$320,958, and \$330,017 respectively, equal to the required contributions for each year.

(7) Risk Management

Humboldt Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$377,143 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$13,500. Early retirement benefits paid during the year ended June 30, 2006 totaled \$290,454.

(10) Capital Loan Notes/Construction in Progress

Capital loan notes in the amount of \$900,000 were issued in September, 1998 for the remodeling, improvement, reconstruction and repair of the high school, junior high school and elementary buildings. All open contracts have been completed. The District is in the process of developing projects for using the funds. The notes will be repaid from proceeds of the District's voted Physical Plant and Equipment Levy.

Details of the debt at June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2007	5.25	110,000	12,075	122,075
2008	5.25	<u>120,000</u>	<u>6,300</u>	<u>126,300</u>
Total		<u>230,000</u>	<u>18,375</u>	<u>248,375</u>

(11) EPA Loan

During the year ended June 30, 1992, the District received a \$81,090 loan from the U.S. Environmental Protection Agency Asbestos in School Hazard Abatement Program. The loan is interest free and is to be repaid \$5,000 a year.

<u>Year</u>	<u>Amount</u>
2007	5,000
2008	<u>1,090</u>
	<u>\$6,090</u>

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	5,840,967	262,737	6,103,704	5,873,659	5,873,659	230,045
State sources	5,119,715	5,222	5,124,937	5,103,672	5,103,672	21,265
Federal sources	305,622	158,208	463,830	308,000	308,000	155,830
Total revenues	<u>11,266,304</u>	<u>426,167</u>	<u>11,692,471</u>	<u>11,285,331</u>	<u>11,285,331</u>	<u>407,140</u>
Expenditures						
Instruction	6,559,869	-	6,559,869	7,250,000	7,250,000	690,131
Support services	2,956,778	-	2,956,778	3,375,000	3,375,000	418,222
Non-instructional programs	-	405,843	405,843	412,200	412,200	6,357
Other expenditures	812,693	-	812,693	1,118,021	1,118,021	305,328
Total expenditures	<u>10,329,340</u>	<u>405,843</u>	<u>10,735,183</u>	<u>12,155,221</u>	<u>12,155,221</u>	<u>1,420,038</u>
Excess of revenues over expenditures	936,964	20,324	957,288	(869,890)	(869,890)	1,827,178
Other financing sources (uses)	<u>17,500</u>	<u>-</u>	<u>17,500</u>	<u>-</u>	<u>-</u>	<u>17,500</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	954,464	20,324	974,788	(869,890)	(869,890)	1,844,678
Balance beginning of year	<u>3,415,464</u>	<u>60,787</u>	<u>3,476,251</u>	<u>4,677,501</u>	<u>4,677,501</u>	<u>(1,201,250)</u>
Balance end of year	<u><u>4,369,928</u></u>	<u><u>81,111</u></u>	<u><u>4,451,039</u></u>	<u><u>3,807,611</u></u>	<u><u>3,807,611</u></u>	<u><u>643,428</u></u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	605,387	117,765	187,680	910,832
Property tax receivable:				
Current year	4,169	-	7,039	11,208
Succeeding year	250,000	-	304,381	554,381
Total assets	<u>859,556</u>	<u>117,765</u>	<u>499,100</u>	<u>1,476,421</u>
Liabilities and Fund Balance				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	250,000	-	304,381	554,381
	<u>250,000</u>	<u>-</u>	<u>304,381</u>	<u>554,381</u>
Fund balance:				
Unreserved fund balance	609,556	117,765	194,719	922,040
Total liabilities and fund balance	<u>859,556</u>	<u>117,765</u>	<u>499,100</u>	<u>1,476,421</u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-major Special Revenue Funds

Year ended June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	273,355	-	299,471	572,826
Other	33,582	238,927	9,913	282,422
State sources	237	-	255	492
Total revenues	<u>307,174</u>	<u>238,927</u>	<u>309,639</u>	<u>855,740</u>
Expenditures:				
Instruction:	121,443	227,801	10,487	359,731
Support services:				
Instructional staff services	-	-	12,936	12,936
Administration	61,308	-	21,686	82,994
Plant operation and maintenance	62,945	-	-	62,945
Student transportation	10,745	-	-	10,745
Other expenditures:				
Facilities acquisition and construction	-	-	130,054	130,054
Total expenditures	<u>256,441</u>	<u>227,801</u>	<u>175,163</u>	<u>659,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,733</u>	<u>11,126</u>	<u>134,476</u>	<u>196,335</u>
Other financing (uses):				
Sale of real property	-	-	17,500	17,500
Operating transfers out	-	-	(127,116)	(127,116)
Total operating financing (uses)	<u>-</u>	<u>-</u>	<u>(109,616)</u>	<u>(109,616)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	50,733	11,126	24,860	86,719
Fund balances beginning of year	<u>558,823</u>	<u>106,639</u>	<u>169,859</u>	<u>835,321</u>
Balance end of year	<u>609,556</u>	<u>117,765</u>	<u>194,719</u>	<u>922,040</u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Cross Country	1,182	4,554	5,570	166
Boys Basketball	11,806	10,614	4,934	17,486
Football	106	33,779	30,230	3,655
Baseball	-	7,890	6,372	1,518
Boys Track	-	4,976	4,976	-
Boys Golf	-	217	215	2
Wrestling	2,349	1,922	4,271	-
Girls Basketball	8,354	7,199	3,956	11,597
Volleyball	-	3,849	3,147	702
Softball	-	12,254	12,254	-
Girls Track	-	9,718	9,718	-
Girls Golf	226	-	161	65
Soccer	1,194	863	1,104	953
High School Camps	2,330	525	2,855	-
Olympics	82	-	-	82
Spanish Club	553	679	807	425
Drama	19,194	8,282	18,055	9,421
Cheerleaders	125	1,024	1,149	-
MOC	1,638	-	-	1,638
Graphic Arts	573	-	-	573
Student Senate	5,240	3,210	3,216	5,234
Student Senate special	-	250	-	250
FFA	4,909	17,185	17,357	4,737
MS Cheerleading	616	-	-	616
Drill Team	9,928	15,410	14,704	10,634
Class of 2006	150	1,840	-	1,990
Class of 2007	1,558	3,839	5,099	298
Class of 2008	1,989	-	-	1,989
Class of 2009	-	3,553	1,929	1,624
High School	1,330	4,436	895	4,871
Middle School	4,870	6,905	6,140	5,635
Taft	972	2,771	1,101	2,642
Mease	1,229	966	461	1,734
Secondary Academic Boosters	3,651	2,980	2,723	3,908
Elementary Art	61	-	-	61
Elementary PE	142	-	-	142
High School Art	(1,649)	2,071	276	146
Elementary Special	241	-	209	32
Elementary Academic Boosters	2,627	20,213	20,181	2,659
Taft Character Counts	10	-	40	(30)
Vocal HS	931	5,300	5,368	863
Vocal MS	699	1,161	681	1,179
Vocal Elementary	2,106	776	881	2,001

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Band HS	428	2,277	2,307	398
Band MS	1,973	3,341	2,825	2,489
Band Elementary	54	672	152	574
Band Resale HS	807	3,130	3,659	278
Band Uniforms	-	750	39	711
Nokomis 2005	7,700	1,378	6,231	2,847
Nokomis 2006	-	15,668	13,277	2,391
Rockets - 6th Grade	786	-	-	786
Concessions	10	-	-	10
HS PE	2,579	-	-	2,579
Concessions - MS	5,107	-	-	5,107
Student Activity	(8,649)	15,575	14,786	(7,860)
Track Project	1,882	515	-	2,397
Weight Room	275	-	-	275
Motel	2,096	117	2,213	-
Checking Interest	-	3,016	-	3,016
Mease CD	61	-	-	61
Middle School CD	203	-	-	203
Investment Interest	5	-	-	5
	<u>106,639</u>	<u>247,650</u>	<u>236,524</u>	<u>117,765</u>
Less interaccount transfers		<u>(8,723)</u>	<u>(8,723)</u>	
Totals	<u>106,639</u>	<u>238,927</u>	<u>227,801</u>	<u>117,765</u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Private Purpose Trusts

Year ended June 30, 2006

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	<u>5,690</u>	<u>3,708</u>	<u>7,247</u>	<u>9,068</u>	<u>4,002</u>	<u>11,048</u>
	<u><u>5,690</u></u>	<u><u>3,708</u></u>	<u><u>7,247</u></u>	<u><u>9,068</u></u>	<u><u>4,002</u></u>	<u><u>11,048</u></u>
Fund Balance						
Fund balance:						
Reserved for general education	-	-	-	-	-	-
Reserved for scholarships	<u>5,690</u>	<u>3,708</u>	<u>7,247</u>	<u>9,068</u>	<u>4,002</u>	<u>11,048</u>
	<u><u>5,690</u></u>	<u><u>3,708</u></u>	<u><u>7,247</u></u>	<u><u>9,068</u></u>	<u><u>4,002</u></u>	<u><u>11,048</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Private Purpose Trusts

Year ended June 30, 2006

	Cramlet/ Schnoor Scholarship	Esther Hansen Scholarship	Guy Carter Memorial	Anderson Scholarship	Klasse Scholarship	Stead Scholarship
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	<u>77,088</u>	<u>10,000</u>	<u>233</u>	<u>10,296</u>	<u>19,765</u>	<u>646</u>
	<u><u>77,088</u></u>	<u><u>10,000</u></u>	<u><u>233</u></u>	<u><u>10,296</u></u>	<u><u>19,765</u></u>	<u><u>646</u></u>
Fund Balance						
Fund balance:						
Reserved for general education	-	-	-	-	-	-
Reserved for scholarships	<u>77,088</u>	<u>10,000</u>	<u>233</u>	<u>10,296</u>	<u>19,765</u>	<u>646</u>
	<u><u>77,088</u></u>	<u><u>10,000</u></u>	<u><u>233</u></u>	<u><u>10,296</u></u>	<u><u>19,765</u></u>	<u><u>646</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Private Purpose Trusts

Year ended June 30, 2006

	Castle Theater Scholarship	Howard G. & Ruth A. Louthen Trust	Bette L. Newton Scholarship	Rogness Scholarship	Totals
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	<u>9,108</u>	<u>1,704,417</u>	<u>8,000</u>	<u>9,558</u>	<u>1,889,874</u>
	<u>9,108</u>	<u>1,704,417</u>	<u>8,000</u>	<u>9,558</u>	<u>1,889,874</u>
Fund Balance					
Fund balance:					
Reserved for general education	-	1,704,417	-	-	1,704,417
Reserved for scholarships	<u>9,108</u>	<u>-</u>	<u>8,000</u>	<u>9,558</u>	<u>185,457</u>
	<u>9,108</u>	<u>1,704,417</u>	<u>8,000</u>	<u>9,558</u>	<u>1,889,874</u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts

Year ended June 30, 2006

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Interest on investments	81	149	110	140	-	360
Contributions	-	3,547	-	-	-	-
	<u>81</u>	<u>3,696</u>	<u>110</u>	<u>140</u>	<u>-</u>	<u>360</u>
Expenditures:						
Instruction:						
Regular instruction:						
Other	300	-	250	250	-	400
	<u>300</u>	<u>-</u>	<u>250</u>	<u>250</u>	<u>-</u>	<u>400</u>
Excess (deficiency) of revenues over (under) expenditures	(219)	3,696	(140)	(110)	-	(40)
Balance beginning of year	<u>5,909</u>	<u>12</u>	<u>7,387</u>	<u>9,178</u>	<u>4,002</u>	<u>11,088</u>
Balance end of year	<u><u>5,690</u></u>	<u><u>3,708</u></u>	<u><u>7,247</u></u>	<u><u>9,068</u></u>	<u><u>4,002</u></u>	<u><u>11,048</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Private Purpose Trusts

Year ended June 30, 2006

	Cramlet/ Schnoor Scholarship	Esther Hansen Scholarship	Guy Carter Memorial	Anderson Scholarship	Klasse Scholarship	Stead Scholarship
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Interest on investments	458	233	-	201	159	56
Contributions	-	-	-	-	-	1,000
	<u>458</u>	<u>233</u>	<u>-</u>	<u>201</u>	<u>159</u>	<u>1,056</u>
Expenditures:						
Instruction:						
Regular instruction:						
Other	<u>3,000</u>	<u>450</u>	<u>-</u>	<u>300</u>	<u>750</u>	<u>1,056</u>
	<u>3,000</u>	<u>450</u>	<u>-</u>	<u>300</u>	<u>750</u>	<u>1,056</u>
Excess (deficiency) of revenues over (under) expenditures	(2,542)	(217)	-	(99)	(591)	-
Balance beginning of year	<u>79,630</u>	<u>10,217</u>	<u>233</u>	<u>10,395</u>	<u>20,356</u>	<u>646</u>
Balance end of year	<u><u>77,088</u></u>	<u><u>10,000</u></u>	<u><u>233</u></u>	<u><u>10,296</u></u>	<u><u>19,765</u></u>	<u><u>646</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts

Year ended June 30, 2006

	Castle Theater Scholarship	Howard G. & Ruth A. Louthen Trust	Bette L. Newton Scholarship	Rogness Scholarship	Totals
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Interest on investments	87	60,955	487	-	63,476
Contributions	-	-	-	-	4,547
	<u>87</u>	<u>60,955</u>	<u>487</u>	<u>-</u>	<u>68,023</u>
Expenditures:					
Instruction:					
Regular instruction:					
Other	400	24,589	350	-	32,095
	<u>400</u>	<u>24,589</u>	<u>350</u>	<u>-</u>	<u>32,095</u>
Excess (deficiency) of revenues over (under) expenditures	(313)	36,366	137	-	35,928
Balance beginning of year	<u>9,421</u>	<u>1,668,051</u>	<u>7,863</u>	<u>9,558</u>	<u>1,853,946</u>
Balance end of year	<u><u>9,108</u></u>	<u><u>1,704,417</u></u>	<u><u>8,000</u></u>	<u><u>9,558</u></u>	<u><u>1,889,874</u></u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues
All Governmental Funds

	Years ended June 30,			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
General	3,386,514	3,619,524	3,724,576	3,763,382
Special revenue/debt service	741,323	790,299	743,231	729,156
Capital projects	580,565	90,910	106,717	75,826
	<u>4,708,402</u>	<u>4,500,733</u>	<u>4,574,524</u>	<u>4,568,364</u>
State sources:				
General	5,119,079	5,127,061	4,726,283	4,845,672
Special revenue/debt service	636	736	705	394
	<u>5,119,715</u>	<u>5,127,797</u>	<u>4,726,988</u>	<u>4,846,066</u>
Federal sources:				
General	305,622	322,688	170,904	246,183
Special revenue/debt service	-	-	-	33,848
	<u>305,622</u>	<u>322,688</u>	<u>170,904</u>	<u>280,031</u>
Total	<u>10,133,739</u>	<u>9,951,218</u>	<u>9,472,416</u>	<u>9,694,461</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Humboldt Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Humboldt Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Humboldt Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed immaterial instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Humboldt Community School District and other parties to whom Humboldt Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Humboldt Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

November 30, 2006

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-I-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control systems.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.

06-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting: (continued)

06-II-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Dailey husband of Board Member, owner of Humboldt Motor Sales	Vehicle repairs, rentals and sales	\$35,817

Of this amount \$29,425 was for a vehicle purchase using proper bidding procedures. This leaves \$6,792 of the transaction outside the allowed bidding process.

The transactions with Mr. Dailey appears to represent a conflict of interest since the unbid transactions exceed the \$2,500 of purchases allowed by the Code of Iowa.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will consult our attorney.

Conclusion - Response accepted.

06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

06-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

06-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

06-II-I Certified Annual Report - We noted that the District's Certified Annual Report was not filed with the Department of Education by the October 15, 2006 due date.

Recommendation - We recommend that the District file the annual report on a timely basis.

Response -We will comply with the recommendation.

Conclusion - Response accepted.

06-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.